

# News Release

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## **BUDGET 2000 ENRICHES FUNDING FOR HEALTH CARE AND EDUCATION, CUTS TAXES AND INVESTS IN INNOVATION**

A significant investment in post-secondary education and health care, a five-year plan to cut taxes for all Canadians, especially families with children, and measures to make the economy more competitive through innovation are the key features of the federal budget presented today by Finance Minister Paul Martin.

"This is a budget with many elements, but a single theme: creating better lives for Canadians in a rapidly changing world," Minister Martin said.

Budget 2000 sets out the Government's plan for a more prosperous Canada and an improved quality of life for all Canadians in the 21<sup>st</sup> century by making Canada a leader in the new global economy.

The plan is based on maintaining sound financial management, providing tax relief, building a more innovative economy and investing in skills and knowledge to ensure Canadians have the tools they need for better jobs now and in the future. It also recognizes that Canadians want their governments to strengthen post-secondary education and health care, and help children get the best possible start in life.

Budget 2000 provides:

- a \$2.5-billion increase in the Canada Health and Social Transfer to help the provinces and territories fund post-secondary education and health care, the highest priorities of Canadians;
- a five-year tax reduction plan that will immediately restore full indexation to the personal income tax system, cut federal tax rates for the first time in 12 years and reduce personal income taxes on an annual basis by an average of 15 per cent by 2004-05. The plan provides a cumulative tax reduction of at least \$58 billion over the next five years; and



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- a series of initiatives totalling more than \$4 billion between 1999-2000 and 2002-03 to promote innovation and leading-edge research, develop new environmental technologies and improved practices, and strengthen provincial and municipal infrastructure.

The 2000 budget also builds on the Government's commitment to sound financial management through low inflation, balanced budgets or better and a declining debt burden. The budget forecasts a balanced budget or better for 1999-2000, and the Government is committed to further balanced budgets or better in 2000-01 and 2001-02.

This would be the first time in 50 years that the budget has been in balance or surplus for five consecutive years. In fact, since Confederation there have been only two other occasions when the Government of Canada recorded balanced budgets or better at least five years in a row.

Attached are highlights of Budget 2000.

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## Budget 2000 Highlights

### Reducing Taxes

The Government's Five-Year Tax Reduction Plan:

- immediately restores full indexation of the personal income tax system, which will stop the automatic tax increases and benefit erosion that have occurred under Canada's current tax system since the mid-1980s.
- Full indexation is of particular benefit to low-income individuals and seniors because the value of benefits such as the Canada Child Tax Benefit (CCTB), the goods and services tax credit, the age credit and the Old Age Security reduction threshold will increase in line with inflation;
- reduces the middle income tax rate to 23 per cent from 26 per cent, starting with a 2-point reduction to 24 per cent in July 2000; and
- will reduce personal income taxes for families with children by an average of 21 per cent, including enriched benefits under the CCTB, by 2004.

In addition to the new tax measures announced, the budget helps families with children in two other key ways. It:

- increases the CCTB by \$2.5 billion a year by 2004 to more than \$9 billion annually. The maximum benefit for a family's first child will grow to \$2,400 from the current level of \$1,805; and
- doubles the duration of maternity and parental leave under the employment insurance program to one year, giving parents the opportunity to spend more time with their newborn and newly adopted children.

### Post-Secondary Education and Health Care

For the fourth time, the federal government has enhanced the Canada Health and Social Transfer (CHST), which provides provincial and territorial governments with funding for post-secondary education, health care and other social programs.

Starting in 2000-01, CHST cash will reach \$15.5 billion, almost 25 per cent higher than in 1998-99. The 1999 budget increased CHST funding for health care by \$11.5 billion over five years – the Government's single largest investment ever.

The increase in this budget means that CHST transfers to provinces and territories will reach an all-time high of almost \$31 billion in 2000-01.

## **Innovation, Skills and Knowledge**

The budget also contains several major investments in innovation and skills and knowledge that build on the Canadian Opportunities Strategy introduced in the 1998 budget and expanded in the 1999 budget. They include:

- \$900 million over five years to establish and sustain 2,000 new university research chairs across Canada;
- a further \$900 million for the Canada Foundation for Innovation, bringing the Government's total investment in the Foundation to \$1.9 billion;
- \$160 million for Genome Canada to advance the study of genes and biotechnology, especially their application to priorities like health;
- \$90 million over three years for federal departments and agencies that regulate biotechnology products and processes; and
- an increase in the tax exemption for income from scholarships, fellowships and bursaries to \$3,000 from \$500.

In addition, the budget allocates \$700 million in new initiatives to promote environmental technologies and practices. These initiatives include:

- a \$100-million Sustainable Development Technology Fund for leading-edge technology development;
- a \$60-million Canadian Foundation for Climate and Atmospheric Sciences for climate research;
- a \$100-million Green Municipal Investment Fund for community energy, water, waste and transit projects; and
- \$90 million in funding over three years and \$45 million in each year thereafter for the protection of species at risk.

The federal government will also work with other orders of government and the private sector to reach agreement by the end of 2000 on a plan to improve provincial and municipal infrastructure. Funding will be \$450 million in the first two years, and \$550 million per year for the next four years.